

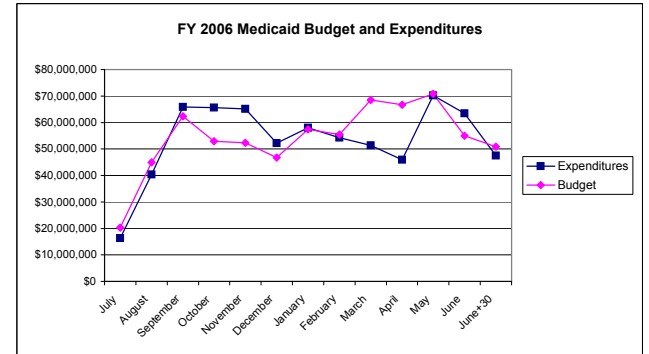
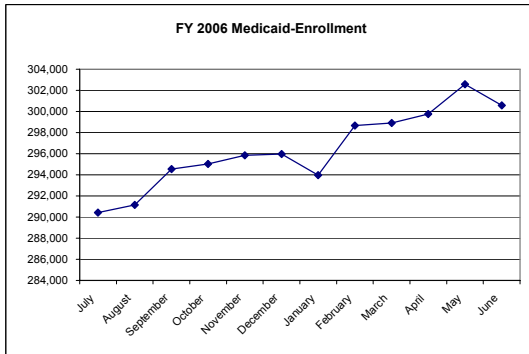
**Fiscal Committee Report
Medical Assistance Program (Medicaid)
FY 2006**

Medicaid Revenues

General Fund - HF 825	\$	507,686,936
General Fund - HF 841		53,158,795
Risk Pool		2,000,000
Healthy Iowans Tobacco Trust		35,327,368
Senior Living Trust Fund		99,660,490
Hospital Trust Fund		-
Property Tax Relief (codified)		6,600,000
Total Revenues	\$	704,433,589

Medicaid Expenditures	July	August	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	YTD	Appropriation Est
Actual Expenditures:															
Nursing Facilities	\$ -	\$ 11,009,007	13,319,587	\$ 13,040,276	\$ 13,732,948	\$ 15,065,045	\$ 14,401,575	\$ 13,426,880	\$ 12,185,256	\$ 12,877,361	\$ 13,791,378	\$ 14,545,669	\$ 13,792,146	\$ 161,187,128	\$ 184,672,351
Hospital Inpatient/Outpatient	3,680,021	7,094,418	13,640,968	13,847,754	14,929,233	12,690,548	13,470,564	17,432,717	14,915,901	14,499,186	13,468,522	16,677,012	12,935,698	169,282,542	112,619,063
Physicians	1,062,302	2,284,869	6,189,508	5,518,051	6,162,961	5,200,263	4,714,029	7,257,612	5,878,329	5,384,730	6,630,142	6,926,104	4,333,840	67,542,740	55,818,468
Pharmaceuticals	4,387,988	6,474,621	13,844,588	13,861,192	14,415,243	15,067,057	9,319,501	8,878,210	7,176,524	6,743,306	20,786,601	12,491,253	10,092,764	143,538,848	162,821,699
Less: Drug Rebates	-	-	-	-	-	(12,216,506)	-	(11,006,873)	(2,771,350)	(8,698,935)	(319,979)	(4,089,060)	(3,026,920)	(42,129,623)	(33,556,744)
Other Services	7,187,853	13,887,233	19,502,840	20,001,702	17,434,537	24,867,084	17,322,241	22,219,408	19,522,757	17,079,818	19,373,164	20,946,797	11,171,278	230,516,712	252,354,040
Less: Recoveries	(2,948)	(427,768)	(694,105)	(706,180)	(1,529,728)	(8,468,031)	(1,198,340)	(3,893,663)	(5,566,790)	(1,968,092)	(3,552,148)	(4,022,198)	(1,854,313)	(33,884,304)	(30,295,288)
Total Expenditures	\$ 16,315,216	\$ 40,322,380	\$ 65,803,386	\$ 65,562,795	\$ 65,145,194	\$ 52,205,460	\$ 58,029,570	\$ 54,314,291	\$ 51,340,627	\$ 45,917,374	\$ 70,177,680	\$ 63,475,577	\$ 47,444,493	\$ 696,054,043	\$ 704,433,589

Monthly Enrollment	Expenditures	Appropriation
July	290,428	\$ 16,315,216
August	291,151	\$ 40,322,380
September	294,540	65,803,386
October	295,020	65,562,795
November	295,859	65,145,194
December	295,984	52,205,460
January	293,958	58,029,570
February	298,652	54,314,291
March	298,906	51,340,627
April	299,761	45,917,374
May	302,564	70,177,680
June	300,589	63,475,577
June +30		47,444,493
Total Expenditures	\$ 696,054,043	\$ 704,433,589



MEDICAID FORECAST FOR FY 2006 AND FY 2007

Medicaid Forecast

Staff members from the Department of Management, the Department of Human Services (DHS), and the Fiscal Services Division of the LSA met on August 25 to discuss estimated Medical Assistance (Medicaid) expenditures for FY 2006 and FY 2007. The three staffs meet monthly to discuss estimated expenditures and to agree on a range for expenditures for the current fiscal year.

FY 2006



House File 825 (FY 2006 Health and Human Services Appropriations Act), as amended by HF 882 (FY 2006 Standing Appropriations Act), HF 841 (IowaCare Medicaid Reform Act), HF 2347 (Health Care Transformation Account Act), and HF 2734 (FY 2007 Health and Human Services Appropriations Act), included total State funding of \$742.8 million for Medicaid for FY 2006. This included a \$19.0 million supplemental appropriation provided in HF 2734. The three staffs agreed to an estimated surplus range of \$4.0 to \$9.0 million, with a midpoint of \$6.5 million for FY 2006. Any remaining funds will transfer to the Senior Living Trust Fund. The estimate includes the following:

- A 3.4% increase in average monthly enrollment over FY 2005.
- An average estimated cost of \$2,500 per member per month for FY 2006.

FY 2007

House File 2734 also included total State funding of \$759.2 million for FY 2007, which is not likely to fully cover Medicaid costs. For FY 2007, the three staffs agreed to an estimated shortfall of \$17.0 to \$37.0 million, with a midpoint of \$27.0 million. After factoring in the estimated supplemental need, the total State funding for Medicaid is an estimated increase of \$33.4 to \$53.4 million for FY 2007 compared to estimated FY 2006. This includes the following costs and assumptions:

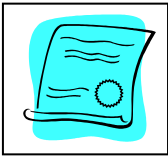
- An estimated \$22.2 million due to enrollment increases.
- An estimated \$7.0 million to fund an estimated increase of 1.0% in the medical inflation rate.
- \$2.6 million to annualize the increased cost of Medicare buy-in due to increased Medicare premiums.
- \$25.0 million to fund additional costs due to a decrease in the Federal Medical Assistance Percentage (FMAP) from 63.61% to 61.98%.
- \$18.6 million to fund a 3.0% provider rate increase.
- \$1.4 million to fund an increase in the personal needs allowance from \$30 to \$50 per month for residents of nursing facilities.
- \$1.0 million to fund Medicaid for children aging out of the foster care system up to age 21.
- \$250,000 to fund a matching grant for the Iowa Health Care Collaborative.



- \$13.5 million in various savings related to the Iowa Medicaid Enterprise, the Medicaid Family Planning Waiver, and the federal Deficit Reduction Act of 2005.
- \$164,000 for a nursing facility rate increase.

Citizenship Requirement

The Federal Deficit Reduction Act of 2005 required verification of citizenship during the Medicaid eligibility screening process. It is anticipated that this requirement will have an impact on the Medicaid budget. The DHS is coordinating with the Department of Public Health to assist Medicaid applicants with obtaining required documents. The DHS also plans to assume expenses associated with an applicant obtaining a birth certificate.



Enrollment impacts are also expected. The *hawk-i* Program is also subject to this regulation. Data from *hawk-i* for the month of July 2006 indicates that the estimated average denial rate for *hawk-i* applicants referred to Medicaid increased from 27.5% to 56.0%. Additionally, the average number of children approved for Medicaid dropped sharply in July 2006 from 550 to 94 per month. The DHS will continue to monitor and report on the issue.

RTS Services



Beginning November 1, 2006, the DHS is separating Medicaid Rehabilitative Treatment Services (RTS) from the Child Welfare System. Changes to Adult Rehabilitative Option (ARO) services will also be implemented on November 1. Both changes are the result of the federal Centers for Medicare and Medicaid Services (CMS) requirements related to documentation and eligibility. Services formerly provided under RTS and ARO will be referred to as Remedial Services. Eligibility will be determined by a Licensed Practitioner of the Healing Arts (LPHAs), and services will be provided by Medicaid-enrolled Remedial Services Providers.

New service definitions will likely result in increased costs to the State and counties, as some services formerly matched with federal funds will now be paid with 100.0% State or county funds. The State cost for the RTS changes in FY 2007 will likely fall within the budget provided; however, additional funding may be needed to fund the change to ARO services.

Nursing Facility Issues



The DHS submitted a State Plan Amendment (SPA) to the federal CMS that would have allowed nursing facilities to be paid one-third of the Skilled Nursing Facility Market Basket Index for the last quarter of FY 2006 and would increase nursing facility rates up to the FY 2006 cap. Public notice was not given prior to the start of the final quarter of the fiscal year; therefore, the SPA was approved for only the last four days of FY 2006 at a total cost of \$450,000, with a State share of \$164,000.

The FY 2006 cap was adjusted during the 2006 Legislative Session based on an estimated 1.0% decrease in bed days over the course of the year. The actual decrease in bed days was 1.83%. The FY 2006 adjusted cap is \$168.2 million. The estimated total spending for nursing

facilities is expected to be \$163.5 million for FY 2006, falling under the cap by \$4.7 million.

The FY 2007 cap is likely to be high by at least \$4.7 million since the FY 2006 cap was used as the baseline. Additionally, if bed days continue to run lower than the 1.0% expected reduction, the gap between expenditures and the cap will be even greater. The FY 2007 nursing facility expenditure cap is \$177.7 million.

More Information

Additional information is available from the LSA upon request.

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